

A ***sole proprietorship*** is a business that is owned and operated by an individual. The owner is personally and legally responsible for his or her actions, including any actions taken on behalf of or in the name of the business. All profit or loss from a sole proprietorship belongs to the owner. This type of business organization is relatively simple to form and operate. No formal action is required by law to establish a sole proprietorship; however, proper name registration and certain permits and licenses may be required.

A ***general partnership*** is formed by two or more persons who agree to contribute money, labor, and/or skill to a business and to share its profits, losses, and management. All partners typically are held legally responsible for their own actions and the actions of the other partners, including actions taken on behalf of or in the name of the partnership. Formal written documents are not required by law for most partnerships. However, business experts suggest that it is sound practice for partners in a business to have a written agreement covering their intent and expectations on basic issues, such as whether the partners will take profit or reinvest it. It is advisable to have such agreements prepared by an attorney. As with a sole proprietorship, proper name registration and certain permits and licenses may be required.

A ***limited partnership*** may be formed by two or more individuals, partnerships, corporations or other associations. Limited partnerships have both general and limited partners. A limited partner generally plays only one role in the business and that is as an investor. Accordingly, a limited partner's liability for the actions and debts of the partnership is usually limited to the extent or value of his investment. By contrast, general partners are involved in operating and managing the business and are therefore subject to unlimited liability for the acts and debts of the partnership. The formation of a limited partnership is accomplished by executing a Certificate of Limited Partnership and recording it with the Corporations Division of the Department of the Secretary of State. Proper name registration and certain permits and licenses may be required.

A ***limited liability partnership***, or ***LLP***, is a type of partnership that has only general partners, but nonetheless affords protection from personal liability to those partners who are not personally involved in or personally responsible for acts that result in liability. Businesses providing professional services, such as law firms, are often structured as LLPs. An LLP is created by filing an application for registration with the Corporations Division of the Department of the Secretary of State.

A ***limited liability company***, or ***LLC***, is an unincorporated association, legally distinct and separate from its owners. An LLC offers its owners both limited personal liability for actions of the business and special tax treatment that may prevent what has been called "double taxation" of the owners' income. The formation of an LLC is accomplished by filing Articles of Organization with the Corporations Division of the Department of the Secretary of State.

A ***corporation***, though formed by individuals, is a distinct entity that has a legal status or existence separate from both the individuals who may form it and its owners. Think of a corporation as an artificial entity or "person." Owners of a corporation, called shareholders, are generally